

**ELK TOWNSHIP, LAKE COUNTY**

**IRONS, MICHIGAN**

**MARCH 31, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MARCH 31, 2008

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

July 19, 2008

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Elk Township  
Lake County  
Irons, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Township, Lake County, Irons, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Township, Lake County, Irons, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 18 and 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elk Township, Lake County, Irons, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information, are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Elk Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Elk Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$487,012. Of this amount, \$251,797 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$418,069. About 47.2% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2008.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$487,012 at March 31, 2008, meaning the Township’s assets were greater than its liabilities by this amount.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Elk Township**  
**Net Assets as of March 31, 2008**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	\$ 430,695
Non Current Assets	
Capital Assets	87,181
Less: Accumulated Depreciation	(18,238)
Total Non Current Assets	68,943
<b>Total Assets</b>	<b>\$ 499,638</b>
<b>Liabilities</b>	
Current Liabilities	\$ 12,626
<b>Net Assets</b>	
Invested in Capital Assets	68,943
Restricted for Specific Purposes	166,272
Unrestricted	251,797
<b>Total Net Assets</b>	<b>487,012</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 499,638</b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$251,797 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Elk Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2008**

	<b><u>Governmental</u></b> <b><u>Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 5,623
<b>General Revenues</b>	
Property Taxes	163,200
State Shared Revenue	65,098
Investment Earnings	52,249
Other	<u>1,029</u>
<b>Total Revenues</b>	<u>287,199</u>
<b><u>Expenses</u></b>	
Legislative	13,077
General Government	77,496
Public Safety	97,489
Public Works	4,014
Other Functions	<u>9,198</u>
<b>Total Expenses</b>	<u>201,274</u>
Changes in Net Assets	85,925
<b><u>NET ASSETS</u></b> - Beginning of Year	<u>401,087</u>
<b><u>NET ASSETS</u></b> - End of Year	<u><u>\$ 487,012</u></u>

**Governmental Activities**

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$85,925 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

The most significant portion of the revenue for all governmental activities of Elk Township comes from property taxes. The Township levied 0.6556 mills for operating purposes, 0.3921 mills for road improvement, and 1.5714 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2008, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by Public Safety expenses that total 48.4% of total expenses. The Township spent \$97,489 in fiscal year 2008 on Public Safety expenses. General Government represented the next largest expense at \$77,496, or 38.5% of total expenses.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Elk Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Elk Township's governmental funds reported combined ending fund balances of \$418,069. Approximately 60.2% or \$251,797 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

**General Fund** – The General Fund increased its fund balance by \$32,599, which brings the fund balance to \$251,797. None of this amount is reserved. All of the General Fund's functions, except for the Public Works, ended the year with expenditures below budgeted amounts. The Public Works differential was funded by greater than anticipated revenue. Property taxes amounted to \$40,626. State shared revenues were collected in the amount of \$65,098.

**Road Fund** – The Road Fund increased its fund balance by \$27,553 which brings the fund balance to \$156,426. This balance is reserved and must be used for road maintenance. Property taxes collected amounted to \$25,085.

**Fire Fund** – The Fire Fund fund balance remained the same at \$0. Property taxes collected amounted to \$97,489. The only expenditure was for contracted fire protection services in the amount of \$97,489.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Cemetery Fund** – The Cemetery Fund decreased its fund balance by \$841 which brings the fund balance to \$9,846. This balance is reserved and must be used for use in the cemetery.

**Proprietary Fund** – The Township does not maintain any proprietary funds.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of March 31, 2008, amounted to \$68,943 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Elk Township**  
**Capital Assets as of March 31, 2008**

	<b>Governmental Activities</b>
Land	\$ 22,999
Buildings	7,426
Infrastructure	27,540
Equipment	29,216
	<hr/> 87,181
Less: Accumulated Depreciation	<hr/> (18,238)
<b>Net Capital Assets</b>	<hr/> <b>\$ 68,943</b> <hr/>

Major capital asset events during the current fiscal year included:

- Purchase of equalization software at a cost of \$2,005.
- Road improvements on Bass Lake Road at a cost of \$12,540.
- Road improvements on the Dewitt Bridge at a cost of \$15,000.

**Long-Term Debt.** Elk Township has no obligation for any long-term debt as of March 31, 2008.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Elk Township at 7274 N Bass Lake Road, Irons, Michigan 49644.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 395,153
Taxes Receivable	20,467
Due from External Parties (Fiduciary Fund)	752
Due from Other Governments	<u>14,323</u>
Total Current Assets	<u>430,695</u>
<u>CAPITAL ASSETS</u>	
Land	22,999
Buildings	7,426
Infrastructure	27,540
Equipment	<u>29,216</u>
	87,181
Less: Accumulated Depreciation	<u>18,238</u>
Net Capital Assets	<u>68,943</u>
TOTAL ASSETS	<u><u>\$ 499,638</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 59
Payroll Taxes and Withholdings	287
Due to Other Governments	<u>12,280</u>
Total Current Liabilities	<u>12,626</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	68,943
Restricted for Road Improvements	156,426
Restricted for Cemetery	9,846
Unrestricted	<u>251,797</u>
	<u>487,012</u>
TOTAL NET ASSETS	<u><u>\$ 499,638</u></u>

The accompanying notes are an integral part of the financial statements.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE), REVENUE AND CHANGES IN NET ASSETS TOTAL GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 13,077	\$ 0	\$ 0	\$ 0	\$ (13,077)
General Government	77,496	5,623	0	0	(71,873)
Public Safety	97,489	0	0	0	(97,489)
Public Works	4,014	0	0	0	(4,014)
Other Functions	9,198	0	0	0	(9,198)
Total Governmental Activities	\$ 201,274	\$ 5,623	\$ 0	\$ 0	(195,651)
<u>GENERAL REVENUES</u>					
Property Tax					163,200
State Shared Revenue					65,098
Investment Earnings					52,249
Other					1,029
Total General Revenues					281,576
Change in Net Assets					85,925
<u>NET ASSETS</u> - Beginning of Year					401,087
<u>NET ASSETS</u> - End of Year					\$ 487,012

The accompanying notes are an integral part of the financial statements.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2008

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	CEMETERY FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 231,945	\$ 153,362	\$ 0	\$ 9,846	\$ 395,153
Taxes Receivable	5,123	3,064	12,280	0	20,467
Due from Other Funds	752	0	0	0	752
Due from Other Governments	14,323	0	0	0	14,323
Total Assets	252,143	156,426	12,280	9,846	430,695
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	59	0	0	0	59
Payroll Taxes and Withholdings	287	0	0	0	287
Due to Other Governments	0	0	12,280	0	12,280
Total Liabilities	346	0	12,280	0	12,626
<u>FUND BALANCE</u>					
Reserved for:					
Road Improvements	0	156,426	0	0	156,426
Cemetery	0	0	0	9,846	9,846
Unreserved					
Designated for:					
Building	54,488	0	0	0	54,488
Undesignated	197,309	0	0	0	197,309
Total Fund Balance	251,797	156,426	0	9,846	418,069
TOTAL LIABILITIES AND FUND BALANCE	\$ 252,143	\$ 156,426	\$ 12,280	\$ 9,846	\$ 430,695

The accompanying notes are an integral part of the financial statements.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$ 418,069
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land	\$ 22,999	
Buildings	7,426	
Equipment	29,216	
Infrastructure	27,540	
Accumulated Depreciation	(18,238)	68,943
		<hr/>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 487,012</u>
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The accompanying notes are an integral part of the financial statements.



ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	CEMETERY FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 40,626	\$ 25,085	\$ 97,489	\$ 0	\$ 163,200
State Grants	65,098	0	0	0	65,098
Charges for Services	5,173	0	0	450	5,623
Interest and Rents	49,434	2,468	0	347	52,249
Other Revenues	1,029	0	0	0	1,029
Total Revenues	161,360	27,553	97,489	797	287,199
<u>EXPENDITURES</u>					
Legislative	13,077	0	0	0	13,077
General Government	75,506	0	0	1,638	77,144
Public Safety	0	0	97,489	0	97,489
Public Works	30,980	0	0	0	30,980
Other Functions	9,198	0	0	0	9,198
Total Expenditures	128,761	0	97,489	1,638	227,888
Excess (Deficiency) of Revenues Over Expenditures	32,599	27,553	0	(841)	59,311
<u>FUND BALANCE</u> - Beginning of Year	219,198	128,873	0	10,687	358,758
<u>FUND BALANCE</u> - End of Year	\$ 251,797	\$ 156,426	\$ 0	\$ 9,846	\$ 418,069

The accompanying notes are an integral part of the financial statements.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2008

Net change in Fund Balance - Total Governmental Funds	\$	59,311
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	\$ (2,931)		
Capital Outlay	29,545	26,614	

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>85,925</u>
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The accompanying notes are an integral part of the financial statements.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES  
MARCH 31, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$          752</u>
<u>LIABILITIES</u>	
Due to General Fund	<u>\$          752</u>

The accompanying notes are an integral part of the financial statements.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Elk Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Elk Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

The *Cemetery Fund* accounts for revenue sources that are legally restricted to expenditure for the cemetery.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

Additionally, Elk Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the Township is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

Certificates of deposit and savings accounts of a bank which is member of the Federal Deposit Insurance Corporation and which are also eligible to be a depository of surplus funds belonging to the state under section 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.146 of the Michigan Compiled Laws.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Elk Township totaled \$62,073,853, on which ad valorem taxes levied consisted of 0.6556 mills for Elk Township operating purposes, 0.3921 for Elk Township road maintenance, and 1.5714 mills for Elk Township fire protection. These levies raised approximately \$40,628 for operating purposes, \$24,368 for road maintenance, and \$97,489 for fire protection.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	20
Building improvements	20
Public domain infrastructure	50
Vehicles	10
Equipment and Furniture	5-10

Elks Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 26, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.



ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund- Public Works	\$ 11,000	\$	30,980
Fire Fund	0		97,489
Cemetery Fund	0		1,638

The overage in the general fund was funded by greater than anticipated revenues. The reason for the overages in the Fire Fund and Cemetery Fund is due to the failure of the Township Board to adopt budgets for these funds. A budget was also not adopted for the Road Fund, where expenditures were \$0.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are owned by several of the Township's funds. Bank deposits are in Lake Osceola State Bank in Baldwin, Michigan and National City Bank of Ludington, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, \$238,570 of the government's bank balance of \$393,058 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>		<u>Road</u>		<u>Fire</u>		<u>Total</u>
Receivables							
Taxes	\$	5,123	\$	3,064	\$	12,280	\$ 20,467
Due from Other Governments		14,323		0		0	14,323
Total	\$	19,446	\$	3,064	\$	12,280	\$ 34,790

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

**C. Capital Assets**

Primary Government

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 22,999	\$ 0	\$ 0	\$ 22,999
Capital assets, being depreciated				
Buildings	7,426	0	0	7,426
Infrastructure	0	27,540	0	27,540
Equipment	27,211	2,005	0	29,216
Total capital assets, being depreciated	34,637	29,545	0	64,182

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

	Beginning Balance	Increases	Decreases	Ending Balance
Less: accumulated depreciation for				
Buildings	421	149	0	570
Infrastructure	0	574	0	574
Equipment	14,886	2,208	0	17,094
Total accumulated depreciation	15,307	2,931	0	18,238
Total capital assets, being depreciated, net	19,330	26,614	0	45,944
Governmental activities capital assets, net	\$ 42,329	\$ 26,614	\$ 0	\$ 68,943

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 2,357
Public Works	574

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2008, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 752	\$ 0
Current Tax Collection Fund	0	752
	<u>\$ 752</u>	<u>\$ 752</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

**E. Long-Term Debt**

At March 31, 2008, the Township was not obligated for any long-term debt.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Municipal Street Fund

Road Improvements \$ 156,426

Cemetery Fund

Cemetery Maintenance 9,846

TOTAL FUND BALANCE/NET ASSETS RESERVES

\$ 166,272

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Retirement Plan**

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. Each employee is 100% vested upon entering the plan. An employee's normal retirement age is age 65 or the 5<sup>th</sup> anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. The Township has elected to contribute 7.5% of compensation to the plan annually. Also, each employee contributes 7.5% compensation to the plan annually. Past service credit is not allowed.

Township contributions to the plan for 2007-2008 amounted to \$4,660. The contribution was based on 2007 calendar year wages of \$30,825. All employees currently are covered by the plan.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**C. Joint Fire District**

The Township is a member of the Sauble-Elk-Eden Fire Department. The Fire Department is a joint venture of Sauble, Elk and Eden Townships created to provide fire protection for the member townships. As stated in NOTE D 2, Elk Township levies 1.5714 mills to support the Fire Department. The following financial information was taken from the Fire Department's March 31, 2007, audited financial statements, which are the latest available amounts:

Total Assets	\$ 205,598
Fund Balance – Unreserved	205,598
Total Revenues	167,441
Total Expenditures	230,784
Other Financing Sources (Uses)	28,937
Net Increase (Decrease) in Fund Balance	(34,406)

**D. Current Tax Collection Fund Balance**

The balance of \$752 remaining in the Current Tax Collection fund at March 31, 2008, consist of late payment penalties and interest earnings which will be transferred to the General Fund.

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	<u>GENERAL FUND</u>			<u>MUNICIPAL STREET FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 49,228	\$ 49,228	\$ 40,626	\$ 0	\$ 0	\$ 25,085
Licenses and Permits	100	100	0	0	0	0
State Grants	62,282	62,282	65,098	0	0	0
Charges for Services	5,085	5,085	5,173	0	0	0
Interest and Rents	8,000	8,000	49,434	0	0	2,468
Other Revenues	500	500	1,029	0	0	0
Total Revenues	125,195	125,195	161,360	0	0	27,553
<u>EXPENDITURES</u>						
Legislative	21,450	21,450	13,077	0	0	0
General Government	102,685	102,685	75,506	0	0	0
Public Safety	5,000	5,000	0	0	0	0
Public Works	11,000	11,000	30,980	0	0	0
Other Functions	15,820	15,820	9,198	0	0	0
Contingency	2,500	2,500	0	0	0	0
Total Expenditures	158,455	158,455	128,761	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	(33,260)	(33,260)	32,599	0	0	27,553
<u>FUND BALANCE</u> - Beginning of Year	337,219	337,219	219,198	0	0	128,873
<u>FUND BALANCE</u> - End of Year	\$ 303,959	\$ 303,959	\$ 251,797	\$ 0	\$ 0	\$ 156,426

FIRE FUND			CEMETERY FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 0	\$ 0	\$ 97,489	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	450
0	0	0	0	0	347
0	0	0	0	0	0
0	0	97,489	0	0	797
0	0	0	0	0	0
0	0	0	0	0	1,638
0	0	97,489	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	97,489	0	0	1,638
0	0	0	0	0	(841)
0	0	0	0	0	10,687
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,846

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND  
BALANCE SHEET

MARCH 31, 2008

ASSETS

Cash	\$ 231,945
Taxes Receivable	5,123
Due from Other Funds	752
Due from Other Governments	<u>14,323</u>
 TOTAL ASSETS	 <u><u>\$ 252,143</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 59
Payroll Withholding Payable	<u>287</u>
 Total Liabilities	 <u>346</u>

FUND BALANCE

Designated for:	
Building Project	54,488
Unreserved	<u>197,309</u>
 Total Fund Balance	 <u>251,797</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 252,143</u></u>
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ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 49,228	\$ 49,228	\$ 40,626
Licenses and Permits	100	100	0
State Grants	62,282	62,282	65,098
Charges for Services	5,085	5,085	5,173
Interest and Rents	8,000	8,000	49,434
Other Revenues	500	500	1,029
Total Revenues	125,195	125,195	161,360
<u>EXPENDITURES</u>			
Legislative			
Township Board	21,450	21,450	13,077
General Government			
Supervisor	10,500	10,500	8,300
Elections	5,600	5,600	1,614
Assessor	27,800	27,800	26,038
Clerk	11,910	11,910	10,642
Board of Review	3,300	3,300	1,156
Treasurer	21,875	21,875	18,372
Building and Grounds	21,700	21,700	9,384
Public Works	11,000	11,000	30,980
Public Safety	5,000	5,000	0
Other Functions	15,820	15,820	9,198
Contingencies	2,500	2,500	0
Total Expenditures	158,455	158,455	128,761
Excess (Deficiency) of Revenues Over Expenditures	(33,260)	(33,260)	32,599
<u>FUND BALANCE</u> - Beginning of Year	337,219	337,219	219,198
<u>FUND BALANCE</u> - End of Year	\$ 303,959	\$ 303,959	\$ 251,797

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

FIRE FUND

BALANCE SHEET  
MARCH 31, 2008

ASSETS

Taxes Receivable	<u>\$ 12,280</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Governments	\$ 12,280
--------------------------	-----------

<u>FUND BALANCE</u>	<u>0</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 12,280</u>
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ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Taxes

Property Taxes

\$ 97,489

EXPENDITURES

Public Safety

Aid to Other Governments

Elk-Sauble-Eden

Fire District

97,489

Excess (Deficiency) of Revenues

Over Expenditures

0

FUND BALANCE - Beginning of Year

0

FUND BALANCE - End of Year

\$ 0

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MUNICIPAL STREET FUND

BALANCE SHEET  
MARCH 31, 2008

ASSETS

Cash	\$ 153,362
Taxes Receivable	<u>3,064</u>
 TOTAL ASSETS	 <u><u>\$ 156,426</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Road Improvements	<u>156,426</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 156,426</u></u>

ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

MUNICIPAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Taxes	
Property Tax	\$ 25,085
Interest and Rents	
Interest Earnings	<u>2,468</u>
 Total Revenues	 27,553

EXPENDITURES

Public Works	
Highways, Streets and Bridges	<u>0</u>
 Excess (Deficiency) of Revenues	
Over Expenditures	27,553

<u>FUND BALANCE</u> - Beginning of Year	<u>128,873</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 156,426</u></u>
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ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

CEMETERY FUND

BALANCE SHEET  
MARCH 31, 2008

ASSETS

Cash	\$ 9,846
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FUND BALANCE

Reserved for Cemetery	\$ 9,846
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ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

CEMETERY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Charges for Services	
Sale of Lots	\$ 450
Interest and Rents	
Interest Earnings	347
	<hr/>
Total Revenues	797
	<hr/>

EXPENDITURES

General Government	
Cemetery	
Other Charges and Services	
Public Utilities	214
Repairs and Maintenance	1,424
	<hr/>
Total Expenditures	1,638
	<hr/>

Excess (Deficiency) of Revenues	
Over Expenditures	(841)

<u>FUND BALANCE</u> - Beginning of Year	<hr/> 10,687
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<u>FUND BALANCE</u> - End of Year	<hr/> \$ 9,846 <hr/>
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ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2008

	BALANCE			BALANCE
	4/1/2007	ADDITIONS	DEDUCTIONS	3/31/2008
<hr/>				
<u>ASSETS</u>				
Cash	\$ 3,761	\$ 2,194,809	\$ 2,197,818	\$ 752
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	3,761	147,414	150,423	752
Due to Other Organizations and Individuals	0	2,766	2,766	0
Due to Other Governments	0	2,044,629	2,044,629	0
<hr/>				
Total Liabilities	\$ 3,761	\$ 2,194,809	\$ 2,197,818	\$ 752
<hr/>				



ELK TOWNSHIP, LAKE COUNTY  
IRONS, MICHIGAN

STATEMENT OF 2007 TAX ROLL  
MARCH 31, 2008

TAXES ASSESSED

County		
Township	\$	593,643
Operating		40,628
Roads		24,368
Fire		97,486
Schools		
Baldwin Community Schools		350,964
Kaleva-Norman-Dickson Schools		598,240
Intermediate Schools		
Lake Intermediate		88,130
Manistee Intermediate		78,015
West Shore Community College		115,522
		<hr/>
	\$	1,986,996

TAXES COLLECTED

County		
Township		527,996
Operating		35,504
Roads		21,272
Fire		85,206
Schools		
Baldwin Community Schools		323,396
Kaleva-Norman-Dickson Schools		521,277
Intermediate Schools		
Lake Intermediate		80,646
Manistee Intermediate		66,313
West Shore Community College		97,730
		<hr/>
		<hr/>
		1,759,340

TAXES RETURNED DELINQUENT

County		
Township		65,647
Operating		5,123
Roads		3,094
Fire		12,280
Schools		
Baldwin Community Schools		27,568
Kaleva-Norman-Dickson Schools		76,963
Intermediate Schools		
Lake Intermediate		7,485
Manistee Intermediate		11,703
West Shore Community College		17,793
		<hr/>
	\$	<hr/>
		227,656

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

July 19, 2008

To the Township Board  
Elk Township  
Lake County  
Irons, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elk Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Elk Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

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July 19, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board  
Elk Township  
Lake County  
Irons, Michigan

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Elk Township, Lake County, Irons, Michigan for the year ended March 31, 2008, and have issued our report thereon dated July 19, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Elk Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Elk Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Elk Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed several adjusting journal entries which were reviewed and accepted by management. No material misstatements were noted.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 19, 2008.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Elk Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

Budget

Total cash disbursements in the Municipal Street Fund, Fire Fund and Cemetery Fund exceeded the budget. Budgeted expenditures should always be amended to cover any excess over budget.

Further it appears that budgets were not adopted for the Municipal Street Fund, Fire Fund and Cemetery Fund. P.A. 621 requires budgets to be adopted for all special revenue funds.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*